

ST 02-0160-GIL 07/19/2002 MANUFACTURING MACHINERY AND EQUIPMENT

Exempt manufacturing equipment can include independent devices or tools separate from any machinery but essential to an integrated manufacturing or assembling process. See 86 Ill. Adm. Code 130.330(c)(3). (This is a GIL).

July 19, 2002

Dear Xxxxx:

This letter is in response to your letter dated May 20, 2002. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at the Department's Website at <http://www.revenue.state.il.us/Laws/regs/part1200/>.

In your letter, you have stated and made inquiry as follows:

We are an Illinois manufacturer of fasteners. We sell our products to other manufacturers who sell those products to the end users or to retailers who sell the products to the consumers. For example we sell rivets, a form a fasteners that is used in a mechanism for the furniture industry known as recliners. An example would be the brand name called Lazy Boy.

In our manufacturing process we are known as cold headers. We use wire or rod that is cold formed in our equipment. We use lubricating oils, to lubricate the wire and keep it the wire cool, as it becomes fasteners or rivets.

We use lubricating oils as part of our manufacturing process to assist the wire in going through our equipment and keep the parts lubricated as they are produced.

We are looking for an exemption from Illinois Sales Tax for the reason that oil is used in our manufacturing process as mentioned above.

Enclosed is a copy of 86 Ill. Adm. Code 130.330 concerning the Manufacturing Machinery and Equipment Exemption. In general, the Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

The manufacturing process is the production of articles of tangible personal property or assembling different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant, Section 130.330(b)(2).

Please note the exemption does not apply to hand tools, coolants, lubricants, solvents, apparel, adhesives and similar supplies, Section 130.330(c)(3). However, lubricants and certain other supplies used in a manufacturing process can qualify as production related items for purposes of the manufacturer's purchase credit. See 86 Ill. Adm. Code 130.331(b)(4)(B).

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.